

Colstrip City Council Chambers

March 2, 2018

1:00 pm

Present:

Adam Schafer, Governor's Office (co-chair)	Jim Atchison, SEMDC
Jon Bennion, Attorney General Office (co-chair)	Galen Hollenbaugh, DLI
Stacey Yates, Business Manager IBEW 1638	Duane Ankney, State Senator
John Williams, Mayor of the City of Colstrip	Wally McRae, Colstrip area rancher
Geraldine Custer, State Representative	Chris Dorrington, DEQ
Marty Tuttle, Interim Deputy Director of DOC	Janet Kelly, Puget Sound Energy
Jason Small, State Senator & President of Boilermakers	

Agenda Approval

It was moved and seconded to approve the agenda as submitted. Motion carried with all in favor.

Minutes Approval

It was moved and seconded to approve the minutes of the January 29, 2018 meeting. Motion carried with all in favor.

Examples of Communities Facing Similar Situations and How They Responded

State Representative Jim Keane talked about Butte's experience when mining stopped. He feels the Colstrip community does have opportunities and can lift itself and up and transition. He doesn't feel ten million dollars is enough from Puget Sound Energy and encouraged the Governor and Attorney General's offices to do something about it. He stated the Colstrip community will need to come together and help the workers transition. He also encouraged keeping the power plants going as long as possible. It's not end of the road but is beginning of a struggle.

Jim Atchison, Southeastern Montana Development Corporation, gave a presentation on two communities that are going through transitions. In Centralia, Washington, their coal mine closed in 2006. Approximately 600 workers were laid off. The mine owner provided five million dollars in transition assistance. Their coal-fired power plant will be shut down by 2025 as the power plant owner agreed to transition from coal to gas and to invest fifty-five million dollars in the local community. The Diablo Canyon Nuclear Plant in California will be retiring a nuclear plant by year-ending 2025. The plant has approximately 1,500 employees with an average income of \$157,000. It is estimated the plant closure will cause an annual \$1 billion hit to the regional economy. At this time, impact funds have not been approved by the state utility commission. Mr. Atchison will bring other communities' transition information to this group to hopefully learn from their experiences.

Chris Dorrington asked if SEMDC has looked at Canada. Jim said Alberta is on the list to look at.

Taxes

Barb Wagner, Chief Economist of the Department of Labor & Industry, gave an overview of the tax impacts of the coal mine and power plant.

Federal Mineral Royalties – Roughly 49% of royalties collected from federal lands in Montana are re-distributed back to the state, and 25% of that share goes to Rosebud County. In fiscal year 2016, Rosebud County received \$1.7 million. Based on information from the Energy Information Administration, the closure of units 1 and 2 may decrease this tax revenue by 27% or about \$460,000.

Coal Gross Proceeds – A share of the 5% annual flax tax goes to Rosebud County. In fiscal year 2016, Rosebud County received \$3.286 million and distributed across different taxing jurisdictions. The closure of units 1 and 2 would result in a loss of \$887,300 based on the FY 2016 distribution.

Property Tax - Based on Fiscal Year 2017 taxable values, the closure of units 1 and 2 would result in a loss of taxable value of \$22.3 million (24%) for the City of Colstrip, Rosebud County wide levies, Colstrip Medical District, Colstrip Park and Recreation District and local school levies. This equates to roughly \$6.58 million in property taxes based on FY2017 values. However, these taxing jurisdictions are allowed to increase mill levies to offset the decrease in taxable values and keep tax revenues the same as the prior year. This results in a shift of property taxes to all the other property owners in the taxing jurisdiction to compensate for the loss. A property owner within the City of Colstrip could see an increase of 70.51 mills when units 1 and 2 shut down.

The school equalization money is more complicated and will require more investigation before any information can be provided to this group.

Water

Sara Edinburg of Montana DEQ, addressed groundwater remediation and the decommissioning of units 1 and 2. She explained the Administrative Order on Consent (AOC) is enforcement action by DEQ to address groundwater contamination resulting from leaking ponds at the power plant. She explained the three components of the AOC with Talen and status. In 2017, the Montana Legislature adopted Coal-Fired Generating Unit Remediation legislation to ensure appropriate remedies are in place when a coal-fired generating unit is retired to prevent unnecessary degradation to natural resources and the environment. A plan has to be submitted to DEQ no later than 3 months after closure but can be submitted up to five years prior to closure. More information is available at <http://deq.mt.gov/DEQAdmin/mfs/ColstripSteamElectricStation>.

Gordon Criswell, Talen Energy, commented that the AOC is a complex document and a lot of activities will be going on for quite a while. Gordon explained the water facilities. The Colstrip plant has a water right of 69 cfs, which is a common Colstrip ownership water right. The way the water right is written no more than 2 cfs can be used for municipal purposes. In 1999 2 cfs was allocated to the City of Colstrip. There is a river station at the Yellowstone River called the Nickels Pump Station that has 3 large pumps that pump 23 cfs each. The river station is also common Colstrip ownership. Two pipelines of 26" and 34" bring the water from Yellowstone River to Colstrip and is stored at Castle Rock Lake. Castle Rock Lake has 2,000 acre feet capacity. Both the power plant and City of Colstrip pull water out of the lake.

The plan is to continue operating the water facilities as long as units 3 and 4 are operating. Gordon said the Colstrip power plant owners are open to discussion on the water facilities and future of them.

Wally McRae asked if the injection water will come from Castle Rock Lake. Gordon confirmed the remedy evaluation plan does use water from the lake. Wally asked if they are continuing to drill capture wells around all the units. Gordon explained every year they evaluate the monitoring data and where they see impacts new wells are drilled. He also asked if there has been an evaluation of the impact to the aquifer and if there will be a significant draw down. Mr. Criswell has asked their hydrologic consultants who do not believe there will be an impact down grade. If this does create a problem on his property, he asked if some of the lake water or river water can be used to mitigate or eliminate the impact. Mr. Criswell feels that is a possibility.

Jon Bennion asked if 2 cfs is owned by the City independently and if it is adequate. Mr. Criswell and John Williams said it is their understanding it is owned independently. John Williams said the current 2 cfs is adequate.

John Williams asked if the power plant owners would consider transferring a portion of their water right to the City of Colstrip after closure of units 1 and 2. Gordon stated the owners are open to discussion. John stated at this time Colstrip is totally dependent on the power plant operation to get water. He would like to see no charge to the City of Colstrip for water.

Geraldine Custer asked if the state's clean-up standards are the same or higher than the federal standards. Sara explained DEQ's standards are mostly the same as the federal but are stricter in some areas. Geraldine also asked if fresh water injection is the gold standard for the clean-up or is there something better. There are other plans and processes that will be used in addition to the fresh water injection.

Stacey Yates asked if all ponds are dewatered. Sarah Edinburgh replied not at this time but they will be by 2022.

Chris Dorrington asked for clarification on the ownership, operation and maintenance of the water facilities after closure. Gordon clarified that even though units 1 and 2 will be shut down, they are not going to automatically remove one of the pumps or one of the pipelines. It is good to have redundancy and backup.

Jim Atchison asked how much water units 1 and 2 use. Gordon estimated roughly 1/3 of the 67 cfs.

Jim Keane commented Colstrip is similar to Butte, where they can't use the groundwater. Water is a big benefit and he recommended looking at the end use of the land.

Mark Elison, MT Department of Natural Resources, provided the history of and an overview of the water right for water pumped from the Nickels Pump Station from the Yellowstone River to Colstrip. The

water right is for 69.27 cfs. He confirmed no more than 2 cfs can be used for municipal use. Ownership of the water right has changed over the years. Currently it is in 7 different names consisting of the power plant owners and the City of Colstrip. He clarified the City of Colstrip does not have a separate water right, it is a co-owner/joint owner. Castle Rock Lake is not mentioned anywhere in the water right and should be included as a place of storage. The water right can still be amended through the water court. Ownership of the water right goes with the land unless the water right is specifically severed. An ownership update is a simple, straight-forward inexpensive process.

Change applications are required for changes in point of diversion, place of use, purpose or place of storage. A change application would be necessary to change use (more water for the City of Colstrip) and add place of storage (add Castle Rock Lake). Change applications are a more complicated, lengthy process than ownership updates. Mr. Elison explained the change application process and cost.

The group took a break at 2:47 pm and reconvened at 3:06 pm.

Review and Approve Draft Work Plan

Jon Bennion presented a draft workplan and asked for suggestions and comments.

Wally McRae commented on a public meeting held last month and he feels it was a mistake. Jon clarified there was a public community meeting but it was not an official meeting of this group and did not have a quorum. Mr. Ankney wanted to give people an opportunity to comment but some of the issues brought up were not part of this group's objectives. He wanted shift workers to have an opportunity to participate since not everyone can attend meetings during the day.

Galen asked about having a draft available prior to November in order to have something for the public to comment on prior to finalization. The group will shoot for draft available in October.

Jon asked if anyone wants a meeting other than in Colstrip. John Williams feels the meetings should be in Colstrip to allow for and encourage public participation.

There were no objections to the frequency of meetings, which will be monthly except for during the summer months. The next meetings will be the third week in April and the week of May 14th.

Several suggestions were made on future meeting topics including land availability/ownership, infrastructure needs, impact to the mine, impact to the school district, utilization of the electric transmission lines and alternative forms of energy, housing, and the Major Facilities Siting Act.

John Williams is looking into whether the City of Colstrip can select its electric supplier. He would also like to look into whether the City of Colstrip can form its own electric company.

Public Comment

Al Ekblad suggested looking at alternative forms of energy and to contact the US Dept. of Energy as they previously developed potential plans for Colstrip. He also asked that whatever this group works towards to evaluate the quality of the jobs as this community has a high annual income.

Darrell Brabec would like to see a short comment period at the beginning of meetings before any decisions are made.

Jolene Verlanic commented that there is no replacement in tourism and ranching in Eastern Montana that comes close to providing the quality of life and the level of tax revenue that is generated. She asked that whatever the plan will be, to remember this is Eastern Montana and the plan be realistic for this area.

Jean Dolman suggested inviting the entertainment industry to Southeastern Montana.

Gary Ryder suggested looking at the feasibility of low CO2 emission plants.

Jim Atchison reported on upcoming events regarding coal and energy. He also reported that Southeastern Montana Development Center (SEMDC) has obtained funding for the Implementation Phase of the Colstrip Economic Diversification Strategy.

Fran McBride talked to the group about growing hemp. She provided information to the group about industrial hemp and its uses.

Julie Emmons reported that SEMDC is assisting Rosebud County, Powder River County and the City of Colstrip in procuring consultant service to update Growth Policies and obtain CDBG Planning Grants to pay for it.

Cindy Winlen of the Just Transition Fund offered her services if needed and wanted. The Just Transition Fund was created to help communities transitioning away from coal.

Deana Patten suggested coordinating with the Indian Tribe for new opportunities such as a co-op or a resort. We need to think out of the box and accept change. She stated bigger stores and new stores keep people shopping locally and attract people from surrounding communities to shop here.

Jon asked for things to add or subtract to the work plan at this time:

Duane Ankney thinks it would be beneficial to have Cindy Winlen of Just Transition do a presentation on other communities in a similar situation as Colstrip. John Williams would like to see success stories and what they did to get there.

The work plan was unanimously approved by the group.

POWER Workforce Development Grant

Barb Wagner gave an overview of the POWER Workforce Development Grant. DOL is applying for a five-year extension so that the money is available when units 1 and 2 close in 2022.

The meeting adjourned at 4:15 pm.